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1. NECESSARY RESOURCES

Excelsior has the financial capability to construct, operate, close, and ensure proper post-closure care of the facility in compliance with ARS. §49-243(N), AAC. R18-9-A203, and the conditions of the individual permit.

1.1 Board of Directors

Excelsior's Board of Directors is comprised of respected state and international leaders in business. They are:

- Jim Kolbe - Eleven-term member of the US House of Representatives for Arizona's 8th Congressional District.
- Steve Lynn - Former VP of UniSource Energy and Tucson Electric Power Company
- Lord Robin Renwick – Vice Chairman, Investment Banking, JP Morgan Europe; former British Ambassador to South Africa and the United States.
- Michael Haworth – Co-founder of Greenstone Resources. Former Managing Director at JP Morgan and Head of Mining and Metals and Metals Corporate Finance in London.
- Colin Kinley, - Over 26 years of experience as an executive for Christensen Company specializing in engineered drilling and development projects. Currently with Kinley Exploration.
- Jay Sujir L.L.B., - Securities and natural resource lawyer since 1986.
- Mark Morabito, J.D. - Executive Chairman of the Board. Founder of several exploration companies; over 20 years of experience in public markets with a strong focus on junior mining with extensive experience in capital-raising and corporate development.

1.2 Financial Capability Letter from CFO

The Chief Financial Officer of Excelsior is Carlo Valente. Pursuant to Arizona Administrative Code (A.A.C.) R18-9-A203(B)(1), a letter from Mr. Valente stating that Excelsior will be financially capable of meeting the costs described in R18-9-A201(B)(5) is attached to this document (Attachment R-2).

1.3 Proposed Financial Mechanism

Excelsior will obtain a performance surety bond for the Project, in accordance with A.A.C. R18-9-A203(C). The bond will be issued according to a phased approach that follows the stages of mining. This approach has been discussed with ADEQ, and it was met with approval. The Project will begin production at a rate of 25 million pounds of copper cathode per year (MM lb/yr). This initial production level is referred to as Stage 1. Two planned expansion steps are proposed; first to 75 MM lb/yr, and second, to 125 MM lb/yr. These subsequent production levels are referred to as Stage 2 and Stage 3, respectively. In Stage 1, there will be no impoundments at the Project. Therefore, bonding will be posted only for the wellfield. Prior to operation of impoundments that will be built for Stage 2, Excelsior will update the bond to include the PLS, Raffinate, Recycled Water, and Evaporation ponds and additional parts of the wellfield that will be operated during that phase. The bond will be updated again prior to operation of the Solids Containment Pond that will be built for Stage 3 operations. These bond updates are included in the proposed Compliance Schedule. The duration of the each Stage depends on economic conditions and how the Project progresses. No facility will be operated until financial assurance is in place.

1.4 Cost Estimates

Cost estimates submitted to ADEQ for the Aquifer Protection Permit Application were included on the APP application form. The applicable section of the APP application is shown below. These cost estimates are for Stage 1 of the wellfield. Subsequent stages will be bonded under an APP amendment application prior to operation. Excelsior ~~is in the process of preparing updated cost estimates at this time. has since updated closure costs for the wellfield to include pullback pumping, additional monitoring, and other costs. These estimates will be updated when available.~~

17 Cost Estimates [A.A.C. R18-9-A201(B)(5)]	
Description	Cost Estimate
Construction	\$75.3 MM Capital cost for Wellfield Construction (M3, 2014)
Operation	Note: these costs will be \$424,729,000 MM (M3, 2014)
Maintenance	updated in Excelsior's \$25,649,000 MM (M3, 2014)
Closure	pending Pre-FS Update. \$4,760,000 MM (Appendix M)
Post-closure	\$ included in closure cost

I have attached documentation supporting the cost estimates listed above? ☒ Yes (include as attachment) Appendix M

18 Financial Demonstration [A.A.C. R18-9-A203]	
A) I have attached a letter by the Chief Financial Officer stating that the applicant is financially capable of meeting the costs listed in the above item. <input checked="" type="checkbox"/> Yes (include as attachment) Appendix B	
B) For government entities, submit a statement that indicates how the entity is capable of meeting the costs in Item 17 above. <input type="checkbox"/> Yes (include as attachment)	

~~Estimated closure costs were provided in Appendix M of the APP application. Appendix M is attached (Wellfield closure costs, including revisions requested by ADEQ, are provided in Attachment R-3.)~~